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50.20 Cost Allocation and Indirect Cost Recoveries

50.20.10 The purpose of these policies

This section establishes State policies and procedures governing indirect cost allocation and recoveries. These policies and procedures are based upon federal laws and regulations for federally funded activities and State laws for state-funded activities.

50.20.20 Authority for these policies

This section is issued pursuant to the authority granted to the Office of the State Controller: “Develop a financial management and accounting practices manual for the purpose of promulgating systemwide uniform financial management practices for State agencies. The manual must be updated on an annual basis;” [Title 5, Section 1541-A]

50.20.30 Applicability

This part is applicable and binding on all agencies of the State of Maine receiving, administering or expending federal assistance, unless otherwise exempted by federal or State law, and on all agencies involved in interagency activities.

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

50.20.40 Agencies must comply with the cost allocation and allowable cost principles in OMB circulars

The United States Office of Management and Budget (OMB) has published several circulars establishing uniform principles for determining allowable costs incurred by nonfederal entities expending federal awards. In addition, these circulars provide requirements for the development and submission of cost allocation plans and indirect cost rate proposals. State

agencies and institutions perform functions and activities that are either federally assisted or provide central service support to federally assisted programs or activities. As such, they are subject to provisions of the cost principle circular applicable to their activities.

50.20.50**Which OMB circular applies?**

50.20.50.a

Circular A-87 – Applies to all State agencies and institutions, except for:

- Public institutions of higher education, and
- Publicly owned hospitals, and
- Other providers of medical care described in 50.20.50.d. below.

This circular establishes:

1. Principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments;
2. Requirements for the development and submission of cost allocation plans and indirect cost rate proposals for these nonfederal entities;
3. Specific requirements on the distribution of State/local government central service costs, including provisions on the development and submission of State/local government central service cost allocation plans;
4. Requirements for the development and submittal of State departmental assistance cost allocation plans; and,
5. The HHS Implementation Guide for circular A-87 is ASMB C-10.

50.20.50.b

Circular A-21 - Establishes principles for determining costs applicable to grants, contracts and agreements with institutions of higher education. This Circular also provides requirements for the development and submission of facilities and administration indirect cost proposals.

50.20.50.c

Circular A-122 - Establishes principles for determining costs of grants, contracts and other agreements with nonprofit organizations. Colleges and universities, covered by Circular A-21, are specifically excluded from coverage by this circular. The Circular also provides requirements for the development and submission of indirect cost rate proposals.

- 50.20.50.d Federal Awards administered by publicly-owned hospitals or other providers of medical care are subject to requirements promulgated by the sponsoring federal agencies.
- 50.20.50.e Entities receiving sub-grants of federal awards are subject to those federal cost principles applicable to the subrecipient organization.
- 50.20.50.f All central service and department/agency costs that are allocated or billed to educational institutions, hospitals or other providers of medical care or services by other State or local departments or agencies are subject to Circular A-87.

50.20.60 The Statewide [central services] Cost Allocation Plan (STACAP) is used to identify and assign central service costs

Most governmental units provide certain services such as accounting, computing, payroll services, motor transportation, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, a process is necessary to identify these central service costs and assign them to benefiting activities on a reasonable and consistent basis. The federally reviewed and approved, statewide, central service cost allocation plan (STACAP) provides that process.

The Financial Reporting and Analysis Division of the Office of the State Controller prepares, administers, and submits to the federal government an annual central services cost allocation plan (STACAP) for the State. One part of the plan justifies and reconciles the activities of the billed State central services (internal service and self-insurance). A second part allocates the allowable costs of other State central services benefiting agencies expending federal awards.

Two basic methods are used in the plan to assign appropriate costs of centralized services to operating agencies or their programs:

- **Allocated Central Services**
Services that benefit operating agencies and/or programs are not billed on a fee for service or similar basis but allowable costs are allocated to benefited agencies through the STACAP process.
- **Billed Central Services**
Allowable costs are billed to benefited agencies and/or programs on an

individual fee for service or similar basis. Self-insurance and fringe benefit activities are other central service activities that bill customers for services or benefits provided.

50.20.65 Responsibilities of central, billed internal service activities

State of Maine central, billed internal service activities have the following responsibilities:

1. Understand and adhere to the requirements of Circular A-87, particularly those provisions relating to allowable amounts of working capital and annual adjustments between revenue and allowable actual costs.
2. Ensure that the following information is made available for inclusion in the State plan:
 - A current narrative description of the activity;
 - A description of the procedures (methodology) used to charge activity costs to users including how billing rates are determined and a schedule of current rates; and
 - A summary of costs billed to users for the most recent complete State fiscal year, by user.

50.20.70 Indirect costs in interagency activities

50.20.70.a The full costs of a State agency incurred in providing services or furnishing materials to or for another agency shall be charged to the agency contracting for such services or materials and shall be repaid and credited to the fund or appropriation against which the expenditure originally was charged. For these purposes, full costs shall generally include direct and indirect costs.

50.20.70.b The nature of interagency activity varies greatly ranging from providing a service or product with established indirect costs components to the simple sharing of usage, and/or rental, costs for a common piece of equipment. As such, parties to interagency agreements should include specific language in the text of their agreements to determine and define allowable indirect costs.

50.30

Compliance with Federal Single Audit Act

50.30.10 The purpose of these policies

This section contains the policies, regulations and procedures regarding compliance with the federal Single Audit Act, as amended, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Under provisions of the Single Audit Act, as amended, the State of Maine has opted to obtain a statewide Single Audit to meet the basic federal audit requirements for all federal assistance awards administered or expended by agencies or institutions of the State. The Single Audit Act and OMB Circular A-133 establish various requirements for State agencies and institutions administering federal assistance that are included in this section.

50.30.15 Authority for these policies

This section is issued, as revised, pursuant to the authority granted to the Office of the State Controller: “Develop a financial management and accounting practices manual for the purpose of promulgating system wide uniform financial management practices for State agencies. The manual must be updated on an annual basis;” [Title 5, Section 1541-A]

50.30.20 Applicability

This part is applicable and binding on all agencies of the State of Maine receiving, administering or expending federal assistance, unless otherwise exempted by federal or State law.

Agencies may request a waiver in writing that documents in detail the specific reasons that prevent the agency from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

About the revised Single Audit Act requirements

In 1984, Congress passed the Single Audit Act, which required most governmental recipients of federal assistance (e.g., State and local governments) to have organization-wide financial and compliance audits on an annual basis. Subsequently, the federal Office of Management and Budget (OMB) issued several circulars to clarify audit requirements on various types of federal assistance recipients. The original Single Audit Act, however, did not include all agencies and institutions defined as a State Agency in the State of Maine (excluded higher education).

In 1996, responding to suggestions of numerous groups, Congress amended the Single Audit Act significantly. Major changes included language to:

- Increase and standardize the expenditure threshold for triggering a single audit to \$300,000 in expenditures of federal awards per year,
- Extend coverage to entities not covered in the original act like colleges and universities and other non-profit organizations,
- Authorize the Director of OMB to establish a risk-based approach to determining major programs for audit coverage purposes,
- Establish a minimum coverage requirement at 50% of expenditures of federal awards in a year,
- Shorten and standardize the deadline for submission of single audit report information,
- Revise the definition of internal control to recognize acceptance of Committee of Sponsoring Organizations (COSO) definition,
- Allow biennial audits in very limited situations,
- Exempt each nonfederal entity, with annual expenditures of federal awards less than \$300,000 in any fiscal year, from compliance, in that fiscal year, with:
 - ✓ Audit requirements of the Single Audit Act, and
 - ✓ Any applicable requirements concerning financial audits contained in federal statutes and regulations governing programs under which such federal awards are provided to that nonfederal entity.

In addition, the Amendments required federal departments and agencies:

- To adopt by “common rule” the new single audit regulations issued by the Director of OMB (Circular A-133), and
- To the maximum extent practical rely upon, and use, audit work performed pursuant to the Single Audit Act.

In 2003, the federal Office of Management and Budget (OMB) published amendments to Circular A-133 that:

- Raised the dollar threshold for requirement of a single audit to \$500,000 or more in expenditures in an entity’s fiscal year.
- Raised the dollar threshold for OMB designation of a federal cognizant agency from \$25 million to \$50 million in expenditures per entity fiscal year.
- Allowed federal agencies flexibility to exchange federal oversight agency responsibilities.

50.30.30

Definitions relating to the Single Audit process

Following are common definitions utilized in State and federal policies relating to the Single Audit process:

CFDA Number - The five-digit number assigned to a federal assistance program in the federal *Catalog of Federal Domestic Assistance* or, in the absence of a catalog defined number, the number defined by instructions from the federal audit clearinghouse.

Cluster of Programs - A grouping of closely related programs that share common compliance requirements. Refer to Subsection 95.20.20.a. (3) for a definition and description of program clusters presently used by the State of Maine and its agencies and institutions.

Cognizant Federal Agency for Audit - The federal agency designated to carry out coordinating audit responsibilities identified in Circular A-133. Normally would be the primary awarding agency unless otherwise designated by OMB. Health & Human Services is the cognizant federal agency for the State of Maine Single Audit.

Cognizant State Agency - A State agency that is responsible for implementing single audit requirements and coordinating audit follow-up for a particular grantee by virtue of providing the majority of federal assistance. In the event a State agency does not assume cognizant State

agency responsibility, it is then the responsibility of each individual State grantor agency to implement and coordinate audit follow-up of single audit requirements. Agencies granting less than \$500,000 must report to the OSC - Financial Reporting and Analysis Division by June 30 of each fiscal year the amounts granted to each subrecipient and/or vendor so that we may coordinate amongst State agencies, where appropriate.

Compliance Supplement - Refers to the Circular A-133 Compliance Supplement included as Appendix B to Circular A-133 or such documents as OMB or its designee may issue to replace it.

Corrective Action Plan - A plan of actions taken by an auditee that:

- Corrects identified deficiencies developed during a single or program audit;
- Produces recommended improvements; or
- Demonstrates that audit findings are either invalid or do not warrant auditee action.

A corrective action plan includes the timetable for action and the identification of individuals responsible for seeing corrective action takes place.

Federal Award - Federal financial assistance and federal cost-reimbursement contracts that nonfederal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Federal Financial Assistance - Assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. It does not include amounts received for provision of vendor services to federal agencies or reimbursement for services rendered directly to individuals.

Federal Program - All federal awards to a nonfederal entity assigned a single number in the CFDA. When no CFDA number is assigned, State of Maine agencies and institutions are to report federal assistance activity per Subsection 95.10.40.d.

Internal Control - A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operation;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Local Government - Any unit of local government within a State including a county, municipality, city, town, township, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

Major Program - A federal program determined by the auditor to be a major program in accordance with provisions in Circular A-133 or a federal program identified as major by a federal agency or pass-through entity in accordance with provisions in Circular A-133.

Management Decision - The evaluation by a federal awarding agency or pass-through entity of the audit findings and related corrective action plans and the issuance of a written decision as to what corrective action is necessary.

Nonfederal Entity - A State (as defined in Circular A-133), local government or nonprofit organization.

Nonprofit Organization - Any corporation, trust, association, cooperative or other organization that:

- Is operated primarily for scientific, educational, service, charitable or similar purposes in the public interest;
- Is not organized primarily for profit; and
- Uses its net proceeds to maintain, improve, or expand its operations.

The term nonprofit organization includes nonprofit institutions of higher education and hospitals.

Pass-Through Entity - A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.

Reporting Package - As defined in OMB Circular A-133 includes:

- Entity's financial statements and schedule of expenditures of federal awards,
- Summary schedule of prior audit findings as discussed in the Circular,
- Auditor's reports as outlined in the Circular, and
- Corrective action plan as discussed in the Circular.

Research and Development - All research activities, both basic and applied, and all development activities that are performed by a nonfederal entity.

- **Research** is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. It also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.
- **Development** is the systematic use of knowledge and understanding gained from research directed to the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

Single Audit - A financial, internal control and compliance audit of a nonfederal entity administering federal assistance awards including the financial statements of the entity.

50.30.35

Office of the State Controller responsibilities

1. Prescribe statewide policies and procedures to ensure that agencies and institutions of the State, administering or expending federal assistance, meet the requirements of the Single Audit Act and Circular A-133.
2. Act as the auditee for the statewide Single Audit of Maine.
3. Collect the necessary information and prepare the annual Schedule of Expenditures of Federal Awards.
4. Prepare and publish the annual State of Maine Comprehensive Annual Financial Report.

5. Establish and maintain an audit tracking system to provide information on the resolution of all findings contained in audits of State agencies and institutions.

50.30.45**Responsibilities of State agencies/institutions administering or expending federal awards**

1. Develop internal policies in accordance with this policy and the requirements of the Act and Circular.
2. Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included in this and other sections of the OSC, *State Administrative and Accounting* manual.
3. Provide year-end, certified, federal financial data per requirements included in Chapter 95.
4. Prepare a corrective plan, in the format specified in Subsection 20.50.30, to address each agency audit finding and forward such plan(s) to the Internal Control Division of the Office of the State Controller within 30 days after the finding is officially communicated to the agency.
5. If acting as a pass-through entity, refer to Subsection 50.30.50 for list of responsibilities.

50.30.50**Pass-through entity responsibilities**

1. Properly identify federal awards by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is R & D, and name of the federal agency;
2. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contract and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and that performance goals are met;

4. Require subrecipients to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required. The inventory can also be used for determining cognizant State agency, if applicable;
5. Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of Circular A-133;
6. Issue a management decision on audit findings within three months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;
7. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records; and,
8. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary to comply with Circular A-133.

50.30.55**Pass-through entities must monitor subrecipients**

Subrecipient monitoring is the processes and procedures undertaken by a pass-through entity as necessary to ensure that subrecipients are complying with applicable laws, regulations, and contract or grant agreement provisions, and that performance goals are being achieved. As part of ensuring legal requirements are met, it also includes processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective action.

Factors such as the size of awards, the percentage of total program funds awarded to subrecipients and the complexity of compliance requirements influence the nature and extent of appropriate monitoring procedures.

Forms of monitoring activities include:

1. Pre-award assessments of subrecipient financial and program capabilities;
2. Require and collect written certification from subrecipients that required information on federal awards has been provided and that the subrecipient understands and agrees to comply with applicable laws,

regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity;

3. Document reviews of subrecipient financial and programmatic reports;
4. Perform site visits to subrecipients to review financial and programmatic records as well as observe operations;
5. Perform limited scope audits. Limited scope audits are defined as agreed-upon procedures engagements conducted in accordance with the American Institute of Certified Public Accountants' (AICPA's) generally accepted auditing standards (GAAS) and attestation standards, that are paid for and arranged by a pass-through entity and address one or more of the following types of compliance requirements:
 - Activities allowed or unallowed;
 - Allowable costs/cost principles;
 - Eligibility;
 - Matching, level of effort, earmarking; and/or
 - Reporting.
6. Arrange for documented reviews of specific subrecipient activity based on risk assessment or significant compliance requirements. An example might be client eligibility determination;
7. Review and follow-up on subrecipient single audits; and,
8. Use various checklists to document activities such as the review and follow-up on subrecipient audits or the receipt of required reports and documents prior to closure of contracts or grant agreements.

50.30.60**Pass-through entities must determine subrecipient (sub-grantee) vs. vendor (contractor) determinations**

One of the more challenging tasks facing State agencies/institutions, acting as grantees and/or pass-through entities for federal assistance, is determining when federal program awards retain their identity as federal financial assistance. The distinction is important because federal financial assistance is subject to federal compliance requirements including federal audit requirements. If federal funds "lose" their federal financial assistance identity, the federal restrictions or requirements are generally no

longer in effect. Federal funds typically lose their identity through expenditure (i.e., the funds are spent procuring goods or services from a vendor). Merely passing along federal funds to a subrecipient through a sub-grant does not alter the federal assistance or award identity.

OMB Circular A-133, § ___.210, states, “Federal awards expended as a recipient or subrecipient would be subject to audit under this part. The payments received for goods or services provided as a vendor would not be considered federal awards.” § ___.210 also provides a list of characteristics indicative of federal awards received as a subrecipient and a separate list of characteristics indicative of payments received by a vendor for providing goods or services. Listed below are some other factors that can be used to distinguish between subrecipient and vendor relationships:

- **Solicitation and Competition** - Generally government rules and regulations mandate maximum free and open competition for award of procurement contracts. There are no similar government-wide requirements for competitive awards of sub-grants.
- **Number of Awards** - A purchaser usually picks only one vendor to provide needed goods or an identifiable scope of services. On the other hand, organizations awarding assistance (sub-grants) generally make multiple awards until funds are exhausted.
- **Criteria for Selection** - Agencies awarding assistance generally place the ability to demonstrate need for funds above most other factors. Agencies awarding vendor contracts usually identify factors showing capability to deliver as most important.
- **Statement of Work/Scope of Services/Project Objectives** – In a vendor procurement, the specification or scope of work is defined by the awarding agency, i.e., the awarding agency identifies what it is buying. In an assistance or sub-grant situation, the potential subrecipient generally identifies the program details of the activity for which it is seeking support.
- **Timing of Payment** - Federal assistance payments are usually made before or at the time work is performed. Vendor payments are generally made after performance or at intervals of progress toward identified deliverables.
- **Pricing of the Agreement** - Grantees and sub-grantees generally operate on the premise that the ultimate settlement of the agreement

will be on the basis of incurred allowable costs. No increment above cost is either intended or allowed. Vendors, regardless of type, are paid increments above costs (profit) usually in exchange for the risk they assume in competing with others to offer the needed goods or services.

- **Special Conditions** - Grantees are permitted to impose “high risk” conditions on sub-grantees. These are normally imposed on a case-by-case basis. In such cases, the sub-grantee must be told about special conditions being imposed, the corrective actions needed to have them removed and the method of appealing the decision to impose, if such exists. Procurement contractors/vendors have no such protections. Because the grantee is buying the goods or services, it has the right to impose whatever terms deemed appropriate as long as they are mutually accepted at the time of the award.
- **Award Cost Participation** - Often, matching or cost sharing requirements are passed through to subrecipients, who are responsible for helping the grantee meet matching requirements. While technically possible, cost sharing would be unlikely in vendor agreements.
- **Treatment of Property Purchased with Award Monies** - In assistance awards, if a grantee permits the subrecipient to purchase real property, equipment and significant inventories of supplies with federal funds, the grantee typically retains a residual interest in the property, enabling it to recover the property or money associated with its sale price at fair market value. Although technically possible, such arrangements are not normally found in vendor contracts.
- **Applicable Rules** - The type of award can be determined by noting the federal administrative rules being followed. Sub-grants are governed by federal grantor implementing applicable sections of the Uniform Administrative Requirements Common Rule (§37) and OMB Circular A-110 (paragraph 5 of the preamble). The two federal guides contain separate rules for procurement of vendor services (§36 of the Common Rule and Attachment O to Circular A-110).
- **Public Policy Requirements** - Frequently, Congress has imposed various civil rights, environmental and work-place requirements on the expenditure of federal funds. The so-called “boiler-plate” language of an agreement may provide further evidence of whether an award is being treated as assistance (sub-grant) or procurement (vendor). Policies dealing with assistance are usually drawn from the standard Statement of Assurances that accompany federal grant applications

(Standard Form 424B for non-construction programs, Standard Form 424D for construction programs). For procurements under grants, the public policy provisions are identified in §36(i) of the Uniform Administrative Requirements Common Rule and Paragraph 4 of Attachment O to Circular A-110.

- **Termination** - Typically, an awarding agency hires help in a procurement contract, but provides help in an award of federal financial assistance. As such, procurement contracts can generally be terminated at the convenience of the awarding agency as well as for the vendor's non-performance or violation of terms and conditions. Sub-grants can only be terminated by the awarding agency for cause - which is for a material violation of the terms and conditions of the award. The sub-grantee normally can terminate an award agreement unilaterally or the awarding agency and the sub-grantee can mutually agree to do so.

50.30.65**Basis of accounting to use with federal grant and entitlement transactions**

The fund type of the account in which the grant or entitlement transactions are recorded determines the basis of accounting. Transactions for governmental fund type accounts are recorded using the modified accrual basis. Proprietary and trust fund type accounts use the accrual basis.

50.30.70**How to recognize revenue****50.30.70.a****Governmental Fund Type Accounts**

For financial reporting purposes, grants or entitlement revenue recorded in governmental fund type accounts is recognized as revenue in the accounting period when it becomes susceptible to accrual, that is, both measurable and available. In applying this definition, carefully review legal, contractual, and accounting policy requirements for guidance. For budgetary purposes grant or entitlement revenue recorded in governmental fund type accounts is generally recognized at the time of receipt.

- Entitlements are recorded as revenue at the time of receipt or earlier if the accrual criterion is met. Entitlements are restricted more in form than in substance. Generally, only a failure on the part of the recipient to comply with prescribed regulations will cause a forfeiture of the resources.
- Grant revenue is recognized when the related expenditure is made. If

cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements.

50.30.70.b

Proprietary and Trust Fund Type Accounts

Grant or entitlement revenues received by propriety and trust fund type accounts for operating purposes, or which may be utilized for either operations or capital acquisitions at the discretion of the recipient agency, are recognized as revenues in the accounting period in which they are earned and become measurable (accrual basis). Grants restricted for the acquisition or construction of capital assets are recorded as contributed capital.

50.30.70.c

Deferred Revenue

Receipts from federal grant and entitlement awards received before the applicable revenue recognition criterion is met are to be recorded as deferred revenue and, subsequently, recorded as revenue when the criterion is met.

50.30.75

Use the CFDA number to record federal activity

50.30.75.a

Record federal assistance program revenues and expenditures/expenses by the unique code assigned each federal financial assistance program in the Catalog of Federal Domestic Assistance (CFDA) or, in the absence of a catalog defined number, the number defined by instructions from the federal audit clearinghouse. Preferably, this is to be done as an integral part of the agency's grant accounting system to enable the system to produce reports by catalog number. However this may be accomplished by maintaining a crosswalk of account numbers to catalog numbers.

50.30.75.b

When catalog numbers have not been provided in the federal grant contract and can not reasonably be determined by other means, agencies should identify federal programs with a number consisting of the two-digit federal agency number and a three-digit federal program of 999 "Other Federal Assistance."

50.30.75.c

Agencies and institutions are required to provide a federal universal grant identifier number for their agency. This number, commonly referred to as a DUN's (Data Universal Numbering System) number, is available from Dun and Bradstreet. The universal grant identifier number is a single or master DUN's number selected for use by an agency or institution. It is federally required on all federal grant applications and federal expenditure reporting.

50.30.80	Accounting for federal assistance activity between State agencies
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Unless directed otherwise by federal law, regulation or federal awarding agency directive, record federal revenue and expenditure/expense activity between State agencies or institutions such that the activity is not duplicated either for accounting or reporting purposes.

50.30.85	Accounting for expenditures of non-financial federal awards
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50.30.85.a	Donated Inventory Programs
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Agencies of the State of Maine receive federal non-financial assistance in the form of donated inventories (primarily food commodities and disease immunization supplies). Such assistance may be received directly from a federal agency or indirectly from a custodial State agency.

State agencies must report the fair value of inventory consumed during the year on Exhibit 1 of the SEFA Reporting Package. State agencies having inventories of federally provided commodities for distribution to other agencies or locations will not report these commodities as revenue but as consumable inventories offset by deferred revenue. Record distribution by the custodial agency to the consuming agency as a reduction of inventory by the custodial agency (no expenditure/expense). The State agency actually using the commodities reports the non-financial revenue and the associated non-financial expenditure/expense in their accounting records and on their year-end SEFA.

For food commodities use the commodity list prepared by the Food and Nutrition Service of the U.S. Department of Agriculture to determine the fair value of the non-financial assistance.

50.30.85.b	Food Stamp Program
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Record federal food stamp distribution and report it on the SEFA Report utilizing the appropriate CFDA program number.

50.30.85.c	Federal Surplus Property
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Do not record the value of federal surplus property received by a State agency or institution in the official State financial accounting records. Maintain the property in appropriate subsidiary ledgers for proper control of the assets. Report federal surplus property on the SEFA report under the applicable CFDA program number. It shall be valued at fair market

value at the time of receipt or the assessed value provided by the federal agency donating the property.

50.30.90**Accounting for federal assistance received from another nonfederal entity, other than another State of Maine agency/institution (pass-through)**

Record identified federal assistance received indirectly from another State (e.g. Vermont) or local government and/or private entity as federal pass-through revenue. There are additional year-end financial reporting requirements specific to federal pass-through revenue and expenditures.

50.40

Cash Management Improvement Act

50.40.10

Purpose of the Cash Management Improvement Act

The Cash Management Improvement Act of 1990 (CMIA) was enacted by Public Law 101- 453, 31 U.S.C. 3335 and 6503. The implementing regulations are in 31 CFR Part 205. The purpose of CMIA is to ensure efficiency, effectiveness, and equity in the exchange of funds between the states and the federal government for federal assistance programs. The general provisions of the Act are:

1. Federal agencies must make timely fund transfers and grant awards to State agencies.
2. State agencies must minimize the time between the deposit of federal funds in the State's account and the disbursement of funds for program purposes.
3. With some exceptions, the State is entitled to interest from the federal government from the time the State's warrants are redeemed until federal funds are deposited in the State's account.
4. The federal government is entitled to interest from the State from the time federal funds are deposited in the State's account until the State warrants are redeemed.
5. The State must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury, Financial Management Service (FMS) to set forth terms and conditions for implementing CMIA.

50.40.20

The Treasury-State Agreement (TSA) defines the drawdown methods to be used by agencies

The Office of the State Treasurer, with the assistance of all affected State agencies, negotiates the TSA with FMS:

<http://www.state.me.us/treasurer/TSA2004.doc> .

The TSA outlines, by program, the funding technique and the clearance pattern the State will use to draw down funds from the federal government. Generally, conformance with the TSA assures that the State does not owe

the federal government, or is not due from the federal government, interest liability on its drawdowns.

Amendments to the TSA may be proposed by either the State or the federal government at any time during the duration of the contract.

50.40.30 Federal assistance programs and State agencies subject to the CMIA

All programs listed in the Catalog of Federal Domestic Assistance (CFDA) are subject to CMIA regulations. During Fiscal Year 2004, programs with \$11,450,000 or more in federal expenditures, as determined from the State's most recent Schedule of Expenditures of Financial Awards (SEFA), are considered major federal programs and are required to be included in the TSA (CMIA agreement). The list of major federal programs covered in the TSA is revised annually, as both the major program threshold and program expenditures change based upon the new SEFA data.

Federal programs which have annual SEFA expenditures less than the threshold amount calculated in the TSA are considered non-major federal programs. Non-major programs are not included in the TSA; however, it is expected that the coordination of federal program receipts will minimize the time between receipts and corresponding expenditures.

50.40.40 Responsibilities of the Office of the State Treasurer

The responsibilities of the Office of the State Treasurer are to:

1. Annually identify federal assistance programs that will be considered as major federal programs and notify affected State agencies. Prepare the TSA identifying components, drawdown techniques, and clearance patterns of major federal programs with assistance from the affected State agencies.
2. Recertify the accuracy of clearance patterns at least every five years. Monitor and certify that clearance patterns accurately reflect a program's clearance activities.
3. Calculate and process the payment of State interest liability and/or receipt of federal interest liability.
4. Monitor agency's compliance with drawdown techniques as defined in the TSA. This is achieved through monthly review of program cash

balances through the EAP2 report, quarterly sampling of major programs, periodic sampling of non-major programs, and direct and frequent communications with agencies.

5. Work with agencies and FMS to coordinate CMIA compliance.
6. Distribute TSA to participants and communicate Annual Report results with State agencies.

50.40.50

Responsibilities of agencies that administer major federal programs

The responsibilities of the State agencies that administer major federal programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA, combined with amounts needed for immediate payments.
2. Maintain information on disbursements and receipts of funds to verify the implementation of any funding technique and exceptions and/or refunds.

For each disbursement, the agency shall be able to identify:

- Amount of the federal program disbursement
- Date of disbursement (check date)
- Date funds were requested
- Amount and date (bank validation) federal funds are received and credited to a State account.

When federal funds are not available per the TSA, maintain documentation of the amount of State funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds.

In most cases, the State cannot calculate a federal interest liability unless the State has made a request through a federal draw system and had it rejected, or has notified the applicable federal agency that federal funds are not available per the TSA. For the federal draw systems that reject requests when federal funds are not available in the

system, make the request and print the rejection notice as evidence of the State's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.

3. Notify the Office of the State Treasurer of significant program changes, such as new programs, grant discontinuance, or changes to funding techniques. A State agency shall not make a change until it is reviewed and approved by the Office of the State Treasurer and FMS.
4. Certify to the Office of the State Treasurer:
 - Receipt, understanding of, and agreement to abide by the terms of the TSA; and,
 - Compliance with CMIA through conformance with the drawdown methods described in the TSA. Certify details of exceptions and refunds to assist in the liability calculations performed by the Office of the State Treasurer (*October of each year*).
5. Assist the State Treasurer's Office in the calculation of interest liabilities to or from the federal government for the Annual Report.

50.40.60

How to calculate interest owing or due

With the assistance of State agencies, the State Treasurer's Office will calculate interest owed or due the federal government where applicable. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the State's fiscal year. The interest rate is provided to the State by FMS. Agencies should ensure that information to be used for interest calculations is auditable and accurate.

50.40.70

Interest calculation costs of implementing the TSA are reimbursable

The Treasurer's interest calculation costs related to implementing the TSA are reimbursable by the federal government and are claimed on the Annual Report of interest liabilities that is submitted by the Treasurer's Office to FMS in December each year. Interest calculation costs are those costs an entity incurs in performing the actual calculation of interest liabilities, including those costs incurred in developing and maintaining clearance patterns in support of interest calculations. Costs associated with expenses for normal disbursing services, such as processing checks or maintaining

records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems are not reimbursable. The State Treasurer must maintain documentation to substantiate claims for interest calculation costs. Interest calculation costs in excess of \$50,000 are not eligible for reimbursement, unless the State can justify that without incurring such costs, it would not be able to develop clearance patterns or calculate interest.

50.40.80 Responsibilities of agencies receiving federal funds designated as non-major programs

The principal responsibilities of State agencies receiving federal funds for programs designated as non-major federal programs are:

1. Coordinate drawdown schedule of federal funds with the State Treasurer's Office to draw federal funds as close as is administratively feasible to actual disbursements. In most cases, it is expected that the drawdown of federal funds will occur prior to the corresponding disbursements. The State's '7-day rule' stipulates that federal funds shall be no greater than needed to cover 7 business days of related expenses.
2. Agencies should ensure that program receipts and expenditures are auditable.

50.40.90 Additional information

The State of Maine Office of the State Treasurer provides agencies administering both major and non-major federal programs with guidance for complying with the Cash Management Improvement Act. The CMIA coordinator may be reached at the Treasurer's office at 624-7477.

Each year, the Treasurer's office creates a "Supplemental Guide to the TSA" that can be used as a tool to interpret the details of the Treasury-State Agreement. Treasury also provides useful tips on how to comply with the 3 day rule, along with other details involving non-major programs.

Visit the State of Maine CMIA website at www.state.me.us/treasurer/cmia.htm for these documents and other helpful tools and information.